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Current
Policy No. 424

Areas of Challenge in the Americas

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September 30, 1982

United States Department of State
Bureau of Public Affairs
Washington, D.C.

Following is an address by Thomas O. Enders, Assistant Secretary for Inter-American Affairs, before the Inter-American Press Association, Chicago, Illinois, September 30, 1982.

It is a privilege to speak to this audience. The Inter-American Press Association and its members have contributed greatly over the years to our joint quest for a stronger and more united hemisphere. It is true that cooperation among individual governments of North and South America, Central America, and the Caribbean has sometimes been blunted by misunderstanding and miscalculation. But no one has been more conscious than this body that the countries of the hemisphere are natural friends and allies in a world that is unstable and often dangerous.

This year, the Americas face challenges and opportunities as daunting as any in the past. Our wisdom, unity, and ability to communicate are confronted by no less than three separate challenges. They are:

- The crisis in Central America;
- The potential for interstate conflict exemplified by the South Atlantic crisis; and
- The need to manage high levels of foreign debt to safeguard the potential we all have for a new sustained expansion.

Let me address each in turn.

Crisis in Central America

In 1979 when Somoza fell to a vast but Marxist-led coalition, many concluded that the only question was how soon and how far Central America would be driven toward Marxism. And indeed the months that followed saw the launching of a "final offensive" in El Salvador by guerrilla forces with strong support from Nicaragua and Cuba. In Guatemala, there was a new outburst of guerrilla warfare.

Central America seemed ripe for violence. Only one country was governed democratically; elsewhere the military was in charge, in some cases mainly through repression. Yet the armies did not look very formidable. In most cases they were barracks bound, organized for administration rather than combat. Foreign disapproval had deprived them of modern equipment and training. In El Salvador a cruelly inequitable landholding system put 40% of the land in the hands of 2% of the landholders. Throughout the isthmus, economic life was unsettled by the double scourges of local uncertainty and global recession.

Today the outlook is different. In El Salvador, the guerrillas and their foreign backers have lost the initiative. They now face a Salvadoran Army that is better equipped and organized and has learned how to fight in the field. Redistribution of 20% of the country's arable land has deprived the guerrillas of an issue they hoped to exploit. And the massive turnout in the March election—in the face of insurgent threats—wrecked their claims to widespread sup-

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port. Although it goes on, the guerrillas can no longer hope to win the war they began.

Honest elections with massive turnouts have also been held in Costa Rica and Honduras—with extremist parties winning almost no support. In Guatemala a new government has begun to limit human rights abuse and to improve the situation in the Indian highlands.

And though economic conditions are still often precarious, the outlook for lasting development has been significantly improved by the Caribbean Basin initiative, through which the United States is adding its weight to the contributions of the Mexican-Venezuelan oil facility and the efforts of Canada and Colombia.

Whatever else they have settled, these developments have revealed the vitality of democracy and destroyed the myth that Central America is moving inexorably toward Marxist dictatorship.

In Nicaragua, where the myth was born, the classic shape of dictatorship is becoming ever more evident, as the regime wields its power in crude provocation of the church, in persecution of its Indian minority, in repression of press and personal freedoms. Little by little the original revolutionary coalition has disintegrated. The Sandinistas themselves have split. And as open repression and miltarism have re-emerged, disenchantment and even armed resistance have also spread.

The Marxist-Leninists show no sign of drawing the conclusions of these reverses. Instead of questioning their false premises, they are reacting with more of the same—more arms, more repression, more terrorism.

Nicaragua already has the largest armed forces in Central American history and is expanding them further. In an effort to overcome resistance by its people—and to build a base for projecting power in the area—Nicaragua has imported some 2,000 Cuban military and security advisers, and some 50–60 Soviet and East European military and security advisers. Members of the Palestine Liberation Organization's military arm have also been involved. Having already imported Soviet tanks, Nicaragua is preparing to bring in jet combat aircraft.

Meanwhile, the regionalization of terrorism goes on. Arms trafficking from Nicaragua to El Salvador is active and at high levels. Terrorist operations against Costa Rica have intensified. So blatant are Nicaraguan actions that Costa Rica—a democracy with no army—last month issued a *libro blanco* detailing official Nicaraguan terrorisms and other violations against Costa Rica. The recently concluded hostage incident in Honduras graphically exposed another aspect of efforts to spin a regional web of terror. Over 100 Honduran businessmen were seized in a vain effort to force the release of a Salvadoran guerrilla leader, Alejandro Montenegro, arrested in August while planning operations against El Salvador from Honduras.

At the same time, Cuba's capability to project power in the region has been greatly augmented. Cuba's arsenal now includes sophisticated Soviet weapons, such as MiG–23/Floggers, AN–26 transport aircraft, a Koni-class frigate, submarines, guided-missile attack boats, and hydrofoils. Ominously Cuba has expanded its airlift capability; there are even indications that Cuba intends to strengthen its amphibious capability. In this context, Cuban construction of a battalion-size military compound and a 9,000-foot runway in Grenada and the improvement of airfields in Nicaragua is additional evidence of Cuba's increased potential to sustain military operations well beyond its own shores.

As opposed to the 1960s, when Moscow generally pursued what it referred to as a "peaceful path" to change, armed violence now plays a major role in Soviet policy in Central America. The Soviet Union supports guerrilla movements directly through Communist parties and front organizations and indirectly through Cuba, Nicaragua, and Grenada. Moscow's huge annual $3 billion economic subsidies—over and above Soviet military grants—effectively underwrite Cuba's aggressive behavior and enable Castro to maintain the largest per capita military force in the hemisphere. Lately Moscow has taken a more direct role in Grenada, pledging to buy all of that island's main exports and promising an impressive array of technical assistance projects.

These actions by Nicaragua, Cuba, and the Soviet Union mean that local struggles in Central America will continue—more violent, bitter, and long lasting than they otherwise would be. But they do not mean that the Marxist-Leninists will prevail. On the contrary, it is clear that they will not prevail—provided the democracies remain clear minded about what they are aiming for and provided they maintain the effort.

I say clear minded, for it is not too soon for the democracies to begin to define the conditions in which Central America could be at peace. Some of these conditions are obvious. There can be no peace if any country in the area attempts to export revolution to another, maintaining in its territory the headquarters, logistical support, and training grounds of an insurgency directed against a neighbor—as Nicaragua does against El Salvador. Equally, there can be no peace, if any country imports large numbers of foreign military and security advisers and heavy offensive weapons—as Nicaragua is also doing.

Should we not then aim at agreement—subject to effective verification—that no country in Central America will import heavy offensive weapons and that foreign military and security advisers will be reduced to a common low level or be removed entirely?

Equally important is what happens within the states of the area. Just as it is wrong to let the Salvadoran guerrillas shoot their way to a share of power they are unwilling to compete for at the polls, so it would be wrong to exclude from political participation those who may now be ready to accept peaceful competition within emerging democratic institutions. We are encouraged by the actions of the Salvadoran Government to hold out the hand of reconciliation to its adversaries.

And unless Nicaragua permits the development of democratic or, at least, pluralistic institutions in which power is allocated by free elections, its neighbors will never trust it to keep the peace. For if there is any lesson in the politics of the 20th century, it is that governments that must face their people in free elections do not often make war on their neighbors.

It is up to Nicaraguans to determine what government Nicaragua should have. But an object of our policy should clearly be to persuade Nicaragua to put its oft-repeated commitment to pluralistic democracy into practice. We must use the dialogue that we proposed to the Nicaraguans a year ago to explore how a way can be found back from militarization to internal reconciliation and peace with neighbors.

If the democracies hold to these principles, backing those that adhere to them with economic and political and military assistance, peace will come to Central America. No one expects it to emerge full blown this fall, or next year, or maybe even the year after, but it will come—if the democracies sustain the effort.

In the past the United States has generally neglected Central America only to send in the troops when things got out of hand. U.S. troops are no solution now. What can help is a dependable U.S. commitment. The United States will help its friends in the area defend

themselves from violent minorities from within—and hostile neighbors from without—and as long as it is necessary.

Central America is the land bridge between the two Americas. The advance of Marxist-Leninists there would be profoundly threatening to the hemisphere. The people of Central America have it in their power to prevent that by a combination of resistance and reform. We must go on helping them.

Potential for Interstate Conflict

From Central America to the South Atlantic is a considerable distance. Yet all of us in this room were forced earlier this year to shift our focus from one to the other. Perhaps the most fundamental question arising from the Falklands/Malvinas crisis is how better in the future to prevent war in the hemisphere.

The inter-American system has a unique record of cooperative action to preserve the peace. But it was not able to do so in the South Atlantic crisis. For some, the question that came out of the South Atlantic crisis is, why didn't the system provide automatic and unanimous support for one of the belligerents? And because it didn't, shouldn't it somehow be restructured so that it would do so in the future?

For me the questions are different. Why didn't the inter-American system keep the peace? Should it be restructured so that it will be more effective? How can we avoid new wars in the future, sparked by one of the many territorial disputes with which the hemisphere is laced? I think there are already some tentative answers to these questions.

First, territorial and other disputes must not be allowed to fester. Machinery exists to anticipate disputes and permit their peaceful and definitive settlement: various inter-American arbitration and conciliation agreements, Organization of American States peacekeeping mechanisms, the International Court of Justice, even the treaty of Tlatelolco, which established the world's first nuclear free zone in a populated area. What appears lacking is the will to use this machinery to prevent and resolve contentious problems. The United States and other countries of the area have at one time or another been involved in calming or negotiating most of them. But this is a branch of hemispheric diplomacy that deserves fresh attention.

Second, the maintenance of a peaceful equilibrium within the hemisphere is everyone's business. The military expenditures of the countries of Latin America come to only 1.4% of gross national product (GNP)—a quarter of the average in the developing world as a whole. We all share an interest in maintaining that record and in avoiding arms races. And where competitive procurement cannot be avoided, it is vital that existing disputes not be exacerbated. My own country has acted in the last generation almost as if it could simply ignore this problem. U.S. arms sales as a proportion of South American purchases fell from 75% in 1960 to 20% in 1970 and to 7% in 1980. The reduction in training and in-depth contacts between the U.S. and most South American militaries has also been precipitous. Improved contacts and in some cases additional arms transfers may be needed to help avoid subregional imbalances of power and preserve the peace. Others in the hemisphere and in friendly outside countries can similarly assist.

Third, we must all prevent regional conflicts from having strategic consequences, introducing East-West tensions where they do not belong, or even changing the East-West balance. It would not be wise for any of us to permit Moscow to become a major source of military modernization. And Cuba is working hard to exploit the South Atlantic conflict to reduce its isolation within the hemisphere.

I doubt that these tasks require institutional changes. But they do require greater perceptiveness about the possible threats to peace and particularly about the ways in which American states relate to each other.

There was a time when most of us thought of the inter-American system as consisting of only two participants—Latin America and North America. It wasn't very long ago that the United States and others attempted—and failed—to organize a "new dialogue" on that basis.

Such formulas have never done justice to the richness of the hemisphere's potential and the variety of our concerns. They make even less sense now that Latin American countries have grown so much in economic weight, population, and worldwide influence, and now that the new countries of the Caribbean have joined the system. What we should strive for is a system which reflects our diversity, which lessens tensions rather than adds to them, and which preserves what until now has been one of the New World's distinctive achievements—peace among its nations.

Problem of Foreign Debt

The challenge with the widest impact is the problem of foreign debt. Debt issues affect virtually every country in this hemisphere. At stake is the ability of each of our countries to realize its potential for sustained expansion.

The hemisphere has an impressive record of high growth. Taking the average for the last 20 years, the economies of Latin America and the Caribbean have expanded at an annual rate of 5.7% in real terms. This rate has been consistently higher than that of both the developed countries and of the developing countries as a whole.

Many factors have contributed to this record. Trade—access to foreign markets including markets within the region itself—has been one of the great motors of growth. U.S. imports from Latin America and the Caribbean have grown from $4 billion in 1960 to $39 billion in 1980—which averages out to a compound growth rate of more than 12% a year for the last 20 years. This is in nominal terms and includes the price escalation on petroleum, but even so it is impressive when compared to U.S. inflation, which averaged about 5% during this period.

Imported capital has also been vital to Latin America's growth. Direct investment from the United States increased from $8.4 billion in 1960 to $38.3 billion in 1980, and direct foreign investment by other nations in Latin America now exceeds $15 billion. Borrowed capital has grown even more dramatically. The long-term foreign debt of the developing countries of the hemisphere grew from $39 billion in 1973 to some $197 billion in 1981; this is equivalent to roughly 30% of its total output.

This capital has been put to good use. Moreover, it is not inappropriate that Latin America, which has a disproportionate share of the world's growth potential, should also attract a major share of world capital flows. With their great resources, their increasingly skilled and disciplined work force, and their growing capacity to export energy and agricultural and industrial goods, there can be no doubt that the countries of the hemisphere are fundamentally credit worthy.

Each country's situation is different and must be considered as a separate case. But there are three themes in the current situation common to most.

- One is the impact of rising budget deficits on import demand. The high growth of the 1970s was obtained in part through ever higher budget deficits. In the past 10 years, the combined

deficits of the developing countries of the hemisphere have more than doubled in relation to GNP, in some cases reaching the 15% or even the 20% level. The resulting high activity and inflation have fueled an enormous demand for foreign goods and services.

• The second is the worldwide recession, which has cut sharply into export earnings as the prices of basic commodities on which the economies of the hemisphere still depend have fallen, often precipitously.

• The third is the cumulative effect of the debt itself, due partly to its size, partly to sharp runup of interest rates over the past 5 years. Governments everywhere—yes, in the United States but also in Europe and, indeed, in the hemisphere as well—have been putting excessive demands on the small pool of savings we all generate. In doing so, we all have contributed to high interest rates. For example, Latin America undertook some $28 billion of net new long-term borrowings in 1981 from world markets, much of it from the United States. For comparison, the total net savings generated by the U.S. economy during 1981 was $147.4 billion.

I think the adjustments that we all must undertake are clear. All of us, including the United States, have to pare down the growth of public spending and raise public receipts. All of us, including the United States, have to hold down the growth of money supply to prevent inflationary increases in demand. The United States is undertaking its own adjustment policies—witness President Reagan's efforts to lower budget deficits and control money supply—and has empathy for others whose problems are worse and whose economies are less flexible. If we do, the pressure on savings and external balances will abate, and, as the industrial countries emerge from recession, both the pool of savings and their import demand will grow and the short-term problem will gradually dissolve.

In the meanwhile, an exceptional effort of cooperation, mutual understanding, and mutual adjustment must be undertaken to make sure that access to capital markets is not needlessly interrupted while basic adjustment measures are taken. This is basically a question between borrowing governments and the markets themselves. But in some exceptional cases, other governments can play a role. Thus, in August the United States and Mexico cooperated to mobilize $4.5 billion in financing in order to allow time for talks with the International Monetary Fund and preparation of a stabilization plan to proceed. The United States also encouraged and welcomed the decision of Argentina and Britain to remove their mutual financial sanctions and thus free up resources of great utility to both countries.

One final remark. In the short term, as unemployment grows and as the required adjustments look ever more painful, the one path which tempts all, including some in the United States, is the escapism of protection. In that direction lies assured disaster. An open trading system is and must remain one of our highest foreign policy priorities. The upcoming ministerial of the General Agreement on Tariffs and Trade may be one of the more important in decades precisely because the pressures are building in all of our countries to pursue the illusory goal of trying to save jobs by not competing.

Potential for Progress

I have outlined three broad areas of challenge and the guidelines we are using to confront each of them. I believe we are making progress. In the past year:

• The United States and Mexico have started to achieve a relationship that reflects their exceptional importance to each other. Now comes the harshest test, as the economic slowdown in both countries threatens to aggravate all our joint accounts: trade, finance, immigration. We must be steadfast.

• We have committed ourselves to help countries of the Caribbean Basin protect themselves against outside intervention, strengthen or develop democratic institutions, and overcome economic disasters. That effort will succeed if it is sustained.

• We are beginning to respond to new realities in South America. We were rebuilding close bilateral relationships with each country after a decade of drift, when the shadow of the South Atlantic crisis fell across our efforts. We are now relaunching those efforts, joining others to maintain the networks of constructive relationships essential to peace and to sustained economic development.

There are great strengths in the Americas: a common heritage which rejects outside interference; enormous human and natural resources for growth; and, not least, a pervasive and resilient belief in the democratic ideal. If we act consistently, and with a clear head, on our strengths rather than exacerbate our weaknesses—and if we insist that outsiders respect our efforts—this hemisphere will yet be a model for the rest of the world. ■

Published by the United States Department of State · Bureau of Public Affairs
Office of Public Communication · Editorial Division · Washington, D.C. · October 1982
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United States Department of State
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